



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 3/29/1999

GAIN Report # HU9003

Hungary

Grain and Feed Annual

1999

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Report Highlights:

A favorable grain harvest in 1998 and limited export opportunities resulted in a sluggish domestic market. Hungary's wheat and corn sales abroad relied heavily on the assistance of export support programs. This year's wheat production may drop 30 percent; however, the harvest of barley, corn and peas will increase most likely.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Budapest [HU1], HU

Executive Summary

Total grain production in Hungary was above 13 million MT, slightly under the previous year's level. Exports of wheat and corn nearly doubled in the 1998-1999 marketing year. Farms drastically reduced the seeded area of winter wheat and barley. Floods and standing water may further reduce wheat harvest expectations; however, the production of spring barley, corn and peas will increase as more area will be planted. Since October 1998, the GOH has been giving direct export subsidies for wheat and feed corn (grains did not receive export subsidies in the previous years) while maintaining the volume of subsidized exports and the outlays within WTO commitments. Due to reduced 1999 crop forecasts, wheat exports from Hungary will be low, but the exports of corn and peas may equal that of the 1998-1999 marketing year.

PSD Table						
Country	Hungary					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	1250	1250	1150	1100	0	730
Beginning Stocks	500	382	1100	567	800	777
Production	5270	5270	5000	5000	0	3400
TOTAL Mkt. Yr. Imports	14	15	20	10	0	200
Jul-Jun Imports	14	15	20	10	0	200
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	5784	5667	6120	5577	800	4377
TOTAL Mkt. Yr. Exports	1500	1700	1200	1500	0	720
Jul-Jun Exports	1500	1700	1200	1500	0	720
Feed Dom. Consumption	1600	1000	1800	1000	0	800
TOTAL Dom. Consumption	3184	3400	4120	3300	0	3100
Ending Stocks	1100	567	800	777	0	557
TOTAL DISTRIBUTION	5784	5667	6120	5577	0	4377

PSD Table						
Country	Hungary					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		09/1997		09/1998		09/1999
Area Harvested	390	370	350	373	0	390
Beginning Stocks	140	50	140	70	140	59
Production	1400	1380	1200	1336	0	1445
TOTAL Mkt. Yr. Imports	13	33	10	13	0	15
Oct-Sep Imports	13	33	10	13	0	15
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1553	1463	1350	1419	140	1519
TOTAL Mkt. Yr. Exports	160	107	50	190	0	190
Oct-Sep Exports	160	107	50	190	0	190
Feed Dom. Consumption	950	950	800	920	0	1050
TOTAL Dom. Consumption	1253	1286	1160	1170	0	1250
Ending Stocks	140	70	140	59	0	79
TOTAL DISTRIBUTION	1553	1463	1350	1419	0	1519

PSD Table						
Country:	Hungary					
Commodity:	Corn					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		09/1997		09/1998		09/1999
Area Harvested	1000	1000	1000	1100	0	1300
Beginning Stocks	660	546	820	356	430	236
Production	6400	6400	6000	6000	0	6900
TOTAL Mkt. Yr. Imports	10	10	10	10	0	10
Oct-Sep Imports	10	10	10	10	0	10
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	7070	6956	6830	6366	430	7146
TOTAL Mkt. Yr. Exports	1250	1300	1200	1050	0	1446
Oct-Sep Exports	1250	1300	1200	1050	0	1446
Feed Dom. Consumption	4600	4600	4800	4400	0	4500
TOTAL Dom. Consumption	5000	5300	5200	5080	0	5200
Ending Stocks	820	356	430	236	0	500
TOTAL DISTRIBUTION	7070	6956	6830	6366	0	7146

Production

Farms drilled 34 percent less winter wheat and 20 percent less autumn barley in the fall of 1998 than in 1997 due to depressed grain market prices. Further reduction of acreage was caused by floods and standing water affecting approximately 500,000 ha in the northeast and eastern parts of the country. Because of the wet soil conditions in March, the seeding of spring barley, sugarbeets and peas are protracted. The GOH and trade sources expect increased corn, spring barley, forage and minor crops production for 1999; on the other hand, the amount of uncultivated area may also be 200,000-300,000 ha bigger than in previous years.

Consumption

Domestic human and food industry consumption of grains and peas were flat in 1998. Depressed prices and glutted markets meant a balanced supply, but they also caused financing problems for Hungary's oversized milling industry.

The consumption of feedgrains was also bearish last year. The production of livestock and animal products dropped by 1.5 percent in 1998. Swine, the main consumer of feedgrains, decreased 8 percent. The growth of the poultry and dairy sectors could not counterbalance the decline in feed use.

On the basis of good feedgrains production, larger compound feed supplies, and moderate to low feed price increases, animal production is expected to grow in the first half of 1999. January opening stocks of swine and poultry were, respectively, 11 and 2 percent above the previous year's level. Exports of wheat, coarse grains and peas increased in 1998 (see more at Trade).

Prices

Good wheat, barley and corn harvests in 1998 kept post-harvest prices low. July 1998 wheat prices (HUF 15,600/MT) were lower than in July 1997 (HUF 19,700/MT). Producer prices for barley were HUF 12,400/MT in 1998 compared to HUF 18,400/MT in 1997. Corn prices in September 1998 were HUF 13,900 vs. HUF 16,900 in 1997 (March 1999, USD 1 = HUF 208).

With the help of intervention purchases at guaranteed prices and later with direct export subsidies, the GOH managed to remove surpluses from the domestic grain market. However, this was achieved at very low price levels.

Beginning in January 1999, domestic grain prices made a come back. According to trade sources, there is no reasonable (hard) wheat and feedgrain surplus in Hungary to be exported during the 1999 January-July (wheat) and January-September (corn) periods. In March 1999, futures prices for grains for May 1999 were HUF 23,050/MT (wheat), HUF 17,700/MT (feed barley) and HUF 19,400/MT (feed corn).

The Ministry of Agriculture and Regional Development (MOA) plans to reduce guaranteed prices for grain for 1999. Associations of producers proposed HUF 19,000/MT for wheat (the guaranteed price was HUF 16,500/MT in 1998 and HUF 15,000/MT in 1997), but the government commitment was set at a mere HUF 14,000/MT. However, the MOA has indicated that the guaranteed price would be increased during the final months of the 1999-2000 marketing year if market developments require it.

Trade**General**

Export Trade Matrix			
Country	Hungary		
Commodity	Wheat		
Time period	CY 1997	Units:	1,000 MT
Exports for:			
U.S.	0	U.S.	0
Others		Others	
Yugoslavia	104		
Italy	129		
Bulgaria	74		
Croatia	72		
Spain	67		
Turkey	62		
Total for Others	508		
Others not Listed	463		
Grand Total	971		0

Exports from the 1998 wheat crop were high, reaching about 900,000 MT between July and December 1999. Sales have been boosted by export subsidies for wheat, wheat flour and corn. By Spring 1999, exportable wheat stocks resulting in low sales forecasts for January thru September. The MOA decided not to sell the 220,000 MT wheat stocks bought under intervention purchases last fall because of the reduced wheat crop and export prospects for the 1999-2000 market year.

Traditional destinations for the Hungarian wheat are EU countries (Italy, Spain, Germany), CEFTA countries and bordering countries. After the 1998 harvest, Poland, Romania and Croatia created import limitations on Hungarian wheat. The GOH fought for a resolution at trade negotiation forums and in the field of logistics to better exploit the limited opportunities for exports. In March 1999, Romania abolished the extra duties imposed on Hungarian wheat and wheat flour imports. At the same time, Poland terminated all CEFTA (and EU) TRQs, including that for wheat beginning on April 1, 1999. Trade sources do not deem this measure important for Hungarian wheat exports since there will probably be a smaller crop.

Corn sales in Hungary between September and December 1998, were approximately 830,000 MT. Major buyers were the neighboring CEFTA countries, FSU and EU countries. According to trade sources, exports to the Middle East and North Africa increased in 1998. Similarly to wheat, corn exports for 1999 will be moderate until the new crop is harvested in September.

Sales of dry peas slowly increase along with the expanding production. The main export destinations, besides the traditional markets of India and Pakistan, are EU countries, including Germany, Italy and the Netherlands.

Export Subsidies

Until 1997, The GOH did not subsidize grain exports (excluding corn planting seed). In spring 1998, the GOH issued a HUF 1,500/MT subsidy for feed wheat exports with a quota of 500,000 MT. When forecasts for a large new crop proved to be true, the delivery period of the above subsidy tender was expanded until the end of August 1999. In October, when export markets became glutted from the Hungarian wheat, the GOH introduced a HUF 1,500/MT subsidy for wheat (it was terminated on February 1, 1999), HUF 2,000/MT for wheat flour, and HUF 1,500/MT for feed corn. The two latter measures are still valid until May 31, 1999. Export subsidies on corn planting seed (sold to countries other than EU and CEFTA members) for 1999 remained unchanged from 1998 at HUF 5,000/MT.

Tariff Changes

The Hungarian government has introduced the new tariff schedule for 1999. Most Favored Nation (MFN) tariffs have been decreased overall by approximately 4 percent, as required by the WTO. Some of the GATT preferential tariff rate quotas have been expanded. Tariffs for imports from CEFTA countries did not change. Pertinent examples follow (in percent ad valorem):

Commodity	Previous MFN	New MFN	CEFTA
	tariff	tariff	tariff
Wheat, Planting Seed	30	25	15
Other	38	35	15
Barley, Planting seed	27.4	24	18
Other	35.4	34	18
Corn, Planting seed	30	25	0
Other	38	35	15
Rice, Brown rice	75.4	69.5	0
White	59.4	49.5	0

Imports of grain from the EU enjoy the following preferential tariffs under quota (unchanged since 1998):

Wheat - 7,100 MT - 9%; Rye 1,430 MT - 0%; Barley - 110,400 MT - 0%;

Corn planting seeds - 1,700 MT - 0%; Rice (white) - 13,190 MT - 0%; Corn other - 1,150 MT - 0%

The new GATT quota, open for imports from any country for 1999, is the following:

Wheat and wheat flour - 42,409 MT - 10%; Rye - 15,098 MT - 2%; Barley -109,058 MT - 3%;

Corn -201,727 MT - 3%; Rice - 19,355 MT - 25%.

Policy

Biotechnology

In July 1998, Hungary passed the Act on Organisms Modified by Gene-technology (XXVII/1998). In early 1999, the HU Parliament also approved the “application chapters” of the legislation (Decree No. 1/1999 FVM on the implementation of the rules of the Act XXVII of 1998 on Gene-technology in the agriculture and food industry).

The aforementioned legislation is strictly based on EU directives. Various amendment proposals from the biotech industry representatives were not seriously considered. However, public opposition of biotechnology is minimal in Hungary.

A key element of the biotechnology regulations is the Reporting Committee on Biotechnology Activities which is a 17 member body that approves or refuses the registration of new biotechnology products or varieties for tests. While most members of this influential jury are famous scientists, Non-Governmental Organizations (NGO's) were allowed to delegate four members to the committee, but biotech firms were excluded. However, the regulations indicate that biotech representatives should be allowed to observe the Committee meetings.

The legislative process has been rather slow thus far, hampering the introduction of new GMO varieties in Hungary. The future of utilizing genetically modified plant varieties in Hungarian agricultural production is probably still 3-5 years away.

Production Policy

The GOH uses a complex set of production subsidies. Producer prices enjoy limited support, because guaranteed prices (for pork, wheat and corn) are set so low the GOH uses this formula only for exceptional cases.

The main categories of production subsidies are the following:

- Income supplements based on the production acreage of certain crops including **grains**, oilseeds, **pulses**, and vegetables for family farms (under 300 ha).
- Increased competition among breeders in order to improve genetics.
- Support for farm financing in the form of government loan guarantees and the partial reimbursement of interest on production loans.
- Support for extension services, farm insurance, and the establishment of farmers' cooperatives.
- Support for forestry projects, organic production, amelioration, irrigation projects, and fish and game management.

The types of subsidies and subsidy outlays are within Hungary's WTO commitments.